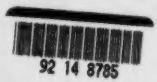

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

(Mark One)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

or

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

PROCESSED BY
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Commission File No. 000-19788

MENLEY & JAMES, INC
(Exact name of registrant as specified in its charter)

Delaware	23-2621602
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Tournament Drive
Horsham, Pennsylvania 19044
(Address of principal executive office) (Zip Code)

(215) 441-6500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ___

The number of shares outstanding of the registrant's common stock (net of shares held in treasury) as of May 12, 1992 was:

Common Stock ($.01 par value) - 6,148,518 shares

BEST COPY AVAILABLE

MENLEY & JAMES, INC.

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MERKLEY & JAMES, INC.
Consolidated Balance Sheets
(In thousands of dollars)

	DECEMBER 31, 1991	MARCH 31, 1992 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 91	$ 85
Accounts receivable, net of allowances of $528 in 1991 and $473 in 1992	5,282	4,321
Inventory	6,897	6,860
Prepaid expenses	1,729	1,627
Total current assets	13,999	12,893
Property and equipment, net	1,400	1,601
Deferred financing costs, net	1,204	513
Product lines, trade names and packaging designs, net	32,996	32,730
Total assets	$ 49,599	$ 47,737
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$ 2,039	$ 1,543
Accrued expenses	1,455	936
Current maturities of long term debt	4,000	3,000
Total current liabilities	7,494	5,479
Long term debt	25,400	8,900
Redeemable preferred stock, $1 par value, authorized 5,000,000 shares, issued & outstanding series A, B and C 28,000 shares; series D 600,000 shares in 1991, and 0 shares in 1992, at redemption value including accrued dividends	31,213	-
Stockholders' (deficit) equity:		
Common stock, $.01 par value: authorized 15,000,000 shares, issued 3,848,518 shares in 1991 and 6,148,518 shares in 1992	38	62
Additional paid in capital	7	45,453
Accumulated deficit	(14,553)	(12,157)
Total stockholders' (deficit) equity	(14,508)	33,358
Total liabilities and stockholders' (deficit) equity	$ 49,599	$ 47,737

See accompanying notes

MEMLEY & JAMES, INC.
Consolidated Statements of Operations
(In thousands except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	1991	1992
Net sales	$ 6,773	$ 5,629
Cost of goods sold	4,689	2,056
Gross profit	2,084	3,573
Selling, general and administrative expenses	2,248	2,433
Depreciation and amortization	324	389
Income (loss) from operations	(488)	751
Interest expense	874	378
Income (loss) before income taxes	(1,362)	373
Provision for income taxes	-	-
Income (loss) before extraordinary item	(1,362)	373
Extraordinary item, due to early extinguishment of debt, net of tax	-	590
Net loss	(1,362)	(217)
Preferred dividends accrued	560	-
Net loss applicable to common shares	$ (1,922)	$ (217)
Per share of common stock:		
Income (loss) before extraordinary item, supplemental	$ (0.15)	$ 0.07
Extraordinary item, due to early extinguishment of debt, net of tax	-	(0.09)
Net loss, supplemental	$ (0.15)	$ (0.02)
Weighted average number of common shares outstanding, supplemental	6,286	6,256

See accompanying notes

HENLEY & JAMES, INC.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	1991	1992
Cash flows from operating activities:		
Net loss	$ (1,362)	$ (217)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	324	415
Amortization of deferred financing costs	48	58
Write off of finance costs due to debt extinguishment	-	633
Provision for accounts receivable	278	(55)
(Increase) decrease in accounts receivable	(864)	1,016
Decrease in inventory	3,502	37
(Increase) decrease in prepaid expenses	(263)	102
Increase in deferred financing costs	(50)	-
Decrease in accounts payable	(1,006)	(496)
Decrease in accrued expenses	(278)	(519)
Net cash provided by operating activities	329	974
Cash flows used in investing activities:		
Property and other purchases	(200)	(349)
Cash flows from financing activities:		
Repayment of borrowings	-	(17,500)
Proceeds from issuance of common stock, net of offering costs	-	26,869
Redemption of preferred stock	-	(10,000)
Net cash used in financing activities	-	(631)
Net increase (decrease) in cash and cash equivalents	129	(6)
Cash and cash equivalents, beginning of period	370	91
Cash and cash equivalents, end of period	$ 499	$ 85

See accompanying notes

Notes to Consolidated Financial Statements (Unaudited)

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1991. Operating results for the three month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ending December 31, 1992.

NOTE A--EARNINGS PER COMMON SHARE

Earnings per share are based on the weighted average number of shares of common stock outstanding during each period, as adjusted for the effect of the application of Securities and Exchange Commission Staff Accounting Bulletin No. 83.

NOTE B - INVENTORIES

Inventories consist of the following:

	December 31, 1991	March 31, 1992
	(In thousands)	
Raw Materials	$ 863	$1,037
Work in Process	778	635
Finished Goods	5,256	5,188
	$6,897	$6,860

Item 2: Management's Discussion and Analysis of Financial Conditions and Results of Operations

Results of Operations

Net sales for the three months ended March 31, 1992 were $5,629,000 and income before extraordinary item was $373,000 ($0.07 per share). After taking into consideration an extraordinary item amounting to $590,000, the Company had a net loss of $217,000 ($0.02 per share). The extraordinary item is a non-cash charge against earnings from the write-off of financing costs. It arose from the early extinguishment of $15 million of a term loan with proceeds from the Company's initial public offering.

During the same period in 1991 the Company had a net loss of $1,362,000 ($0.15 per share) on net sales of $6,773,000. Tight management of inventories by wholesalers and retailers in the first quarter of the current year in response to the soft economy reduced sales volume in comparison to the first quarter of 1991. Management believes, however, that these reduced volumes were unique to the first quarter and that the Company's programs and plans for the remainder of the year remain on track.

Cost of goods sold for the 1992 period was $2.1 million or 36% of net sales compared to $4.7 million or 69% of net sales in 1991. The expense amount and ratio for the 1991 period reflect the higher fair market value allocated to the inventory acquired from SmithKline Beecham in the Company's purchase of the trademarks, product formulations and related inventories. The ratio for the 1992 period is indicative of the lower cost of goods levels expected to be incurred on an ongoing basis.

Selling, general and administrative expenses were $2.4 million in the 1992 period an increase of $185,000 due to an increase in marketing and promotion expenses of the primary brands. The selling, general and administrative expenses as a percentage of sales increased to 43% in the 1992 period from 33% in the 1991 period primarily as a result of the decrease in net sales for the 1992 period.

Depreciation and amortization expense increased $65,000 from the 1991 to the 1992 period which was essentially due to additional in service assets.

Interest expense was $378,000 for the 1992 period compared to $874,000 for the prior year's period. The decrease is due to lower average debt outstanding and lower average interest rates. The Company completed its initial public offering in January 1992 and a portion of the proceeds from the offering were used to repay $15 million of the Company's term loan. In the 1992 period, the Company had weighted average debt outstanding of $17.5 million, at a weighted average interest rate of 6.9%, as compared to $30 million of weighted average debt outstanding during the 1991 period, at a weighted average interest rate of 10.9%.

The Company, at December 31, 1991, had a net operating loss carryforward for financial statement purposes of $9.5 million and for federal income tax purposes of approximately $8.5 million which may be used to offset future taxable income.

Net income before extraordinary item increased significantly in the 1992 period, as compared to the 1991 period. This increase was due to lower cost of goods sold incurred and lower interest expense. The decrease in these costs more than offset the effect on profit due to lower sales in the 1992 period.

Liquidity and Capital Resources

At March 31, 1992, the Company had working capital of $7.4 million. Working capital was provided by its operations and the seasonal use of its revolving credit facility. At March 31, 1992, the Company had $900,000 outstanding under the credit facility. The credit facility has a maximum borrowing limit of $8 million and terminates on December 31, 1996. Under the credit facility, the Company may borrow up to the sum of 80% of eligible accounts receivable plus the lesser of 80% of eligible accounts receivables or 60% of eligible inventories. Under this formula, at March 31, 1992, the credit facility had a maximum borrowing limit of $5.0 million which reflects seasonality. The amount of borrowing and the subsequent repayments under the facility are a result of the seasonality of the Company's sales, marketing plans and profits. Also, extended payment date terms that are consistent with standard industry practice and are offered to the Company's customers under marketing programs, create seasonal changes in the Company's cash flow.

The Company completed its initial public offering of Common Stock in January 1992. The net proceeds from the offering were approximately $27 million and were used to repay $15 million of the Company's term loan, reduce the outstanding balance of its revolving credit facility by $2 million and redeem $10 million of the Company's preferred stock. The former holders of the Company's preferred stock contributed the balance of their shares of preferred stock to the capital of the Company in connection with the initial public offering.

At the present time, the Company's primary cash requirements are for it normal operating uses, including projected expenditures for the planned introduction of Garfield multivitamins in the summer of 1992, and debt principal and interest service. Under the terms of the credit agreement with Mellon Bank, N.A., beginning in 1992 the Company must make mandatory prepayments of the term loan and revolving credit facility from excess cash flow and proceeds from the sale of assets or the issuance of equity securities as specified in the credit agreement. The Company conducts an ongoing program of evaluating opportunities to acquire additional brand name products or product lines to enhance its product portfolio. Such acquisitions may take a variety of forms including licensing arrangements, purchases of trademarks and related inventory, or acquisitions of business units. Management believes that cash flow from operations, current and future borrowing capacity, and the effect of the reduction of long term debt and lower interest cost as a result of its initial public offering, will be sufficient to fund the Company's operating and capital requirements for the foreseeable future.

PART II - OTHER INFORMATION

Item 1.	Legal Proceedings	None
Item 2.	Changes in Securities	None
Item 3.	Defaults Upon Senior Securities	None
Item 4.	Submission of Matters to a Vote of Security Holders	None
Item 5.	Other Information	None
Item 6.	Exhibits and Reports on Form 8-K	

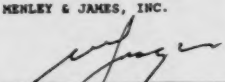
a. Exhibits
Exhibit 11 - Statement of computation of net income (loss) per share

b. Reports on Form 8-K
The registrant was not required to file any current reports on Form 8-K during the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KENLEY & JAMES, INC.



William M. Yeager
Chief Financial Officer (Principal
Financial Officer and Principal Accounting Officer)

Date: May 12, 1992

Statement of Computation of Net Income (loss) per Share
(in thousands, except per share amounts)

Exhibit 11

	Three Months Ended March 31,	
	1991	1992
Historical average shares outstanding	3,872	3,848
Net effect of stock options	114	108
Shares issued in public offering	2,300	2,300
Total weighted average common shares outstanding	6,286	6,256
Income (loss) applicable to common shares (before extraordinary item)	$(1,922)	$ 373
Add: interest expense reduction	408	88
Add: elimination of preferred stock dividend	560	-
Income (loss) applicable to common shares (before extraordinary item), supplemental	(954)	461
Extraordinary item, due to early extinguishment of debt, net of tax	-	590
Net loss applicable to common shares, supplemental	$ (954)	$ (129)
Per share of common stock:		
Income (loss) before extraordinary item, supplemental (1)	$ (0.15)	$ 0.07
Extraordinary item, due to early extinguishment of debt, net of tax	0.00	(0.09)
Net loss, supplemental (1)	$ (0.15)	$ (0.02)

(1) Adjusted to reflect the sale of 2.3 million shares of common stock by the Company and the application of the net proceeds therefrom.